ARIZONA STATE SENATE

Fifty-Second Legislature, Second Regular Session

FACT SHEET FOR H.B. 2025

utilities, TPT; sales of propane

Purpose

Exempts the gross proceeds of sales of liquefied petroleum gas to businesses that are principally engaged in manufacturing or smelting operations from transaction privilege tax (TPT) under the utilities classification and use tax.

Background

TPT is a gross receipts tax levied on certain persons for the privilege of conducting business in the state. Although TPT is commonly referred to as Arizona's sales tax, it differs from the *true* sales tax as it is imposed upon the seller rather than the buyer of the taxable item. Although the seller may pass the burden of the tax onto the buyer, the seller is the party that remains ultimately liable to the state for the tax.

TPT is currently imposed under 16 separate business classifications: retail, transporting, utilities, telecommunications, publication, job printing, pipeline, private car line, commercial lease, transient lodging, personal property rental, mining, amusement, restaurant, prime contracting and owner builder sales.

The utilities TPT classification is comprised of the business of: 1) producing and furnishing or furnishing to consumers natural or artificial gas and water; and 2) providing to retail electric customers ancillary services, electric distribution services and other services related to providing electricity. Currently, under the utilities TPT classification, the gross proceeds of sales or gross income derived from sales of electricity or natural gas to a business that is principally engaged in manufacturing or smelting operations and uses at least 51 percent of the electricity or natural gas in the manufacturing or smelting operations.

According to a Joint Legislative Budget Committee (JLBC) fiscal note, based on information from the U.S. Energy Information Administration the bill is estimated to reduce the General Fund revenue by $(91,000) in FY 2017. This represents the full-year revenue impact in the first year of the bill's implementation. The Department of Revenue does not have an estimated fiscal impact for this bill.

Provisions

1. Exempts the gross proceeds of sales or gross income derived from sales of liquefied petroleum gas to a business that is principally engaged in manufacturing or smelting operations and that used at least 51 percent of the liquefied petroleum gas in the manufacturing or smelting operations from TPT under the utilities classification and use tax.

2. Requires that cities or towns that levy a transaction privilege, sales, gross receipts, use, franchise or other similar fee or tax exempt or tax in whole the gross proceeds of sales or gross income from sales of liquefied petroleum gas to a business that use at least 51 percent of liquefied petroleum gas in its manufacturing or smelting operation located in those cities or towns.

3. Makes technical and conforming changes.

4. Becomes effective the first day of the month following the general effective date.

House Action

WM	1/25/16	DPA	8-0-0-1
3rd Read	2/16/16		46-14-0-0

Prepared by Senate Research
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BR/TV/ls